

ORIGINAL

NEW APPLICATION



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ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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W-02197A-12-0410

**FINANCING APPLICATION**

**HUMBOLDT WATER SYSTEMS, INC.**

**UTILITY NAME**

**NEW APPLICATION**

**DOCKET NO(S)**

You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application please call (602) 542-4251 for Staff assistance.

IN ORDER TO PROCESS YOUR APPLICATION  
PLEASE FORWARD THE ORIGINAL  
AND THIRTEEN COPIES OF THE  
**APPLICATION** PLUS  
THREE PACKETS OF THE SUPPORTING  
DOCUMENTATION TO:

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL CENTER  
1200 WEST WASHINGTON STREET  
PHOENIX, ARIZONA 85007

APPLICATION FOR FINANCING:

ARIZONA CORPORATION COMMISSION  
1200 WEST WASHINGTON ST  
PHOENIX, ARIZONA 85007

HUMBOLDT WATER SYSTEMS, INC.  
PO BOX 10593  
SEDONA, AZ 86339

Authorized person on behalf of Humboldt Water Systems, Inc. (H.W.S.) to received notice and communications regarding this application is;

Timothy L Kylo  
President Humboldt Water Systems, Inc.  
PO Box 10593  
Sedona, AZ 86339

H.W.S. is seeking a loan through Water infrastructure Finance Authority of Arizona in the amount of \$160,000 payable over 20 years at a rate of 4.5% or the prevailing rate prescribed by the Drinking Water Revolving Fund at the time of commitment.

Gross proceeds should equal net proceeds no agent other than WIFA will be used in procuring the loan.

The purpose of the loan is to finance the engineering, procurement, installation and operation of a treatment plant to reduce Nitrate and Arsenic below the Maximum Contaminant Level prescribed by the EPA and Arizona Department of Environmental Quality. H.W.S. received a Notice of Violation from ADEQ regarding both contaminants.

H.W.S. will provide necessary Corporate Resolutions to authorize the debt to WIFA.

The public interest is the reason for the loan. Water Quality does not currently comply with the parameters of the Safe Drinking Water Act.

HWS has not contracted with an agent, or agency. There are no fees or commissions expected in this financing agreement. All documents executed in this financing will be provided.

Attached Balance Sheets and Income Statements for 2010 and 2011

HWS will be asking the Commission to approve an Arsenic Cost Recovery Method to offset the additional debt service at a rate of \$1,000 per month or approximately \$3.00 per customer.

PUBLIC NOTICE  
OF  
AN APPLICATION FOR AN ORDER  
AUTHORIZING THE ISSUANCE OF A LOAN BY HUMBOLDT WATER SYSTEMS

Humboldt Water Systems, Inc. filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Humboldt Water Systems, Inc. (HWS) to issue \$160,000 of Debt. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Mayer, AZ. The purpose of the loan is to finance the installation and operation of a water treatment facility to lower Arsenic and Nitrate levels to the standards required by Arizona Department of Environmental Quality.

Intervention in the Commission proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information.

1. The name, address and telephone number of the proposed intervener and of any person upon whom service of documents is to be made if different than the intervener.
2. A short statement of the proposed intervener's interest in the proceeding.
3. Whether the proposed intervener desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15<sup>th</sup> day after this notice.

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

<b>Acct. No.</b>	<b>OPERATING REVENUES</b>	<b>PRIOR YEAR</b>	<b>CURRENT YEAR</b>
461	Metered Water Revenue	\$ 128,327	\$ 130,627
460	Unmetered Water Revenue		
474	Other Water Revenues	1,215	1,093
	<b>TOTAL REVENUES</b>	<b>\$ 129,542</b>	<b>\$ 131,720</b>
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$	\$
610	Purchased Water		
615	Purchased Power	16,092	13,903
618	Chemicals	3,276	5,040
620	Repairs and Maintenance	4,350	22,995
621	Office Supplies and Expense		
630	Outside Services	64,110	76,781
635	Water Testing	3,093	1,639
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability	1,265	1,265
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense		
403	Depreciation Expense	12,948	13,166
408	Taxes Other Than Income		
408.11	Property Taxes	5,194	5,498
409	Income Tax		
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 110,328</b>	<b>\$ 140,287</b>
	<b>OPERATING INCOME/(LOSS)</b>	<b>\$</b>	<b>\$</b>
	<b>OTHER INCOME/(EXPENSE)</b>		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(1,400)	(1,284)
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	<b>\$ (1,400)</b>	<b>\$ (1,284)</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$ 17,814</b>	<b>\$ (9,851)</b>

**COMPANY NAME** HUMBOLDT WATER SYSTEMS, INC.

**SUPPLEMENTAL FINANCIAL DATA**

**Long-Term Debt**

	<b>LOAN #1</b>	<b>LOAN #2</b>	<b>LOAN #3</b>	<b>LOAN #4</b>
Date Issued	1/9/1999			
Source of Loan	WIFA			
ACC Decision No.	61529			
Reason for Loan	IMPROVEMENTS			
Dollar Amount Issued	\$ 39,500	\$	\$	\$
Amount Outstanding	\$ 20,972	\$	\$	\$
Date of Maturity	12/31/2019			
Interest Rate	5.81 %	%	%	%
Current Year Interest	\$ 1,284	\$	\$	\$
Current Year Principle	\$ 2,060	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ 24,609

Meter Deposits Refunded During the Test Year

\$ 871

COMPANY NAME

HUMBOLDT WATER SYSTEMS, INC.

**UTILITY PLANT IN SERVICE**

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	2,378	2,378	0
302	Franchises			
303	Land and Land Rights	6,650	n/a	
304	Structures and Improvements	10,041	4,513	5,528
307	Wells and Springs	19,897	19,897	0
311	Pumping Equipment	48,916	48,916	0
320	Water Treatment Equipment	2,087	2,087	0
330	Distribution Reservoirs and Standpipes	47,943	40,964	6,979
331	Transmission and Distribution Mains	138,517	108,069	30,448
333	Services	53,801	37,045	16,756
334	Meters and Meter Installations	39,059	35,352	3,707
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	79,092	7,908	71,184
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>448,471</b>	<b>307,129</b>	<b>134,602</b>

This amount goes on the Balance Sheet Acct. No. 108

**BALANCE SHEET**

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>ASSETS</b>		
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 5,917	\$ 7,047
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 5,917	\$ 7,047
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 438,381	\$ 448,471
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	293,629	307,129
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	<b>TOTAL FIXED ASSETS</b>	\$ 137,768	\$ 134,602
	<b>TOTAL ASSETS</b>	\$ 143,685	\$ 141,649

**NOTE:** The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

**COMPANY NAME**

HUMBOLDT WATER SYSTEMS, INC.

**UTILITY PLANT IN SERVICE**

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This amount goes on the Balance Sheet Acct. No. 108





- 1.1 Applicant: Humboldt Water System Job Title: President
- 1.2 Contact Names: First Tim Middle Initial:  Last: Kyllo
- 1.3 Address: PO BOX 10593 City: SEDONA State: AZ Zip: 86339
- 1.4 Phone: 928-632-9730 Fax: 928-203-0890 E-Mail: timkyllo@msn.com
- 1.5 County in Which Project is Located: Yavapai
- 1.6 Number of Connections to System: 326 Population Served by the System: 690
- 1.7 Average Monthly Residential Fee (Base + Use): \$34.00
- 1.8 Existing Debt (principal only) Payable by System Users: \$0.00
- 1.9 Population of City or Town: 3,894 Median Household Income: \$36,839.00
- 1.10 ADEQ System Identification Number (PWS #): AZ0413052
- 1.11 Is the system ACC regulated? ☒ Yes ☐ No
- 1.12 Has this project received prior year WIFA funding?

- ☐ Yes, request is for a multi-year construction project that received assistance from WIFA in a previous funding cycle
- ☒ Yes, request is to construct a project that received pre-design or design financial or technical assistance from WIFA in a previous funding cycle
- ☐ Yes, request is for additional financial assistance to offset actual costs or justified overruns
- ☐ No

- 1.13 Is your system registered with the E-Verify Program? ☒ Yes ☐ No  
(You will be required to provide proof of participation prior to the execution of a loan or grant agreement.)

- 2.1 Project Title/Name: Water Treatment Facility Humboldt Water System
- 2.2 Type of loan required during this funding cycle? ☒ Design \$25,000.00 and/or ☒ Construction \$135,000.00
- 2.3 Briefly summarize the problem below. (Mail or upload any supporting documentation)

The two wells owned by Humboldt Water Systems require treatment for MCL Violations for arsenic and for nitrates.

- 2.4 Briefly summarize the solution below.

The solution is to design and construct a treatment facility to lower the contaminants in the water.

- 2.5 Project Purpose: (Select only one)
- ☒ Assist Non-Compliant Systems to Achieve Compliance
- ☐ Assist Compliant Systems to Meet Future Requirements
- ☐ Assist Compliant Systems to Maintain Compliance
- ☐ Other (Not Compliance Related)

**3.1 Select Expected Project Benefit(s)**

- ☒ Compliance - Existing Requirements   
 ☐ Compliance - Future Requirements   
 ☐ Expanded Service  
☒ Reduce Public Health Risks

**3.2 Water System Improvement**

- ☒ Proposed Project addresses deficiencies identified by ADEQ

**3.3 Consolidation and Regionalization**

- ☐ Interconnecting the physical facilities of two or more existing water systems.   
 ☐ Extending service to existing areas currently served by another water system.  
☐ Consolidating the operations of multiple water systems.   
 ☐ Consolidating the ownership of multiple water systems.

**3.4 Water and Energy Efficiency Index**

- ☐ 50 to 100% of total project costs are for water or energy efficiency components or environmentally innovative approaches.  
☐ 10% to 49% of project costs are for water or energy efficiency components or environmentally innovative approaches.  
☐ less than 10% of the project costs are for any water or energy efficiency components or environmentally innovative approaches.

**Project's green components****3.5 System Compliance \*must mail or upload supporting documents**

- ☐ Notice of violations and/or consent orders from regulatory agency \*  
☐ In compliance

**4.1 Debt Authorization?**

(For more information, see [WIFA Debt Authorization Guidance Document](#))

Yes ☐ No

Enter authorization/expected authorization date: \_\_\_\_\_ [mm/dd/yyyy]

(mail or upload copy of official governing body debt authorization resolution, election results or ACC order)

**4.2 Project Design (Select only one)**

- ☐ Project is in planning stages   
 ☐ Engineer has been selected   
 ☐ Currently under design   
 ☐ Ready for construction  
 Enter design completion/anticipated design completion date: 9/30/2012 [mm/dd/yyyy]

**4.3 Applicable Plan and Specification Approvals (Select only one)**

- ☐ Approval to construct has been obtained  
☐ Plans and specification have been submitted to permitting agency for approval  
☒ Design has not been completed  
☐ Other or not applicable  
 Enter permit/anticipated permit(s) receipt date: \_\_\_\_\_ [mm/dd/yyyy]  
 If not applicable or if multiple permits are required, please explain:

**4.4 Project Bids (Select only one)**

- ☒ Project is not ready for bid   
 ☐ Project is currently out for bid   
 ☐ Bidding is complete  
 Enter bid/anticipated bid award date: \_\_\_\_\_ [mm/dd/yyyy]

**4.5 Project Construction**

When do you plan to begin project construction? If you may need to begin the project before the requested financial assistance is awarded, please provide details.

As soon as possible we have received notice of violation and will soon be operating under a consent order

5.1 Estimated Date WIFA Funding Required: 9/30/2012 [mm/dd/yyyy]

5.2 Estimated Financial Assistance Costs & Funding Source

Funding Source

Project Costs

Amount funded locally:

\$0.00

Amount requested from WIFA for this project:

\$160,000.00

Other source: \_\_\_\_\_

\$0.00

Total:

**\$160,000.00**

5.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and correct.

First Name

Last Name

Title

Timothy

Kyllo

President

Authorized Signature: 

Date: 8-31-12